



INSIGHT on Coinage

Institute for Applied Numismatics and Research
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EDITORIAL

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Coin dealers and collectors have resigned themselves to the subjective nature of third-party grading yet they expect 100% perfection from authenticators. I can tell you from experience that perfection is a tough goal to reach.

A few months ago, a story appeared in the numismatic press concerning an Uncirculated, "full head" 1927-S quarter which was discovered to have an added "S" mintmark by J.P. Martin. J.P. needs no introduction here. At the ANAAB Lab in Colorado Springs, Colorado, he is one of only a handful of top coin authenticators in the country. What makes this story unusual is that the quarter had been previously authenticated and slabbed as genuine by one of the third-party grading and authentication services. Before encapsulation, the 1927-S quarter was scrutinized with a stereo microscope. After it was slabbed as a genuine, there was only a handful of numismatists scattered throughout the country who could have determined that the coin was altered. It took time and die research by J.P. to be positive of his suspicion that the "S" was added.

Authenticators do not have the luxury that dealers can fall back on. A dealer can turn down a coin because he "believes it's bad". This serves to impress peers or collectors with his knowledge. Every city has its local "Ex-Pert". A professional authenticator must be sure of his opinion and even then, a few mistakes will occur. Alterations and fakes keep improving. They become more difficult to detect as the amount of information on genuine coins and how to detect counterfeits is disseminated. For this reason, it may sometimes take months to resolve the authenticity of a single coin. Occasionally, some coins defy authentication, usually because of cleaning or repair, and must be returned without opinion. Try explaining that to a dealer or collector who thinks coin authentication is an easy black or white proposition.

Can you trust the grading and authentication services if their opinions are not 100% accurate? The bottom line is this. Once a coin is graded and slabbed as genuine, every person who handles it (no matter what their expertise) becomes a check and balance. Mistakes will be discovered and hopefully brought to the attention of the third-party service without the hostility which seeks to destroy the good work third-party grading services provide.

ADVICE AND DISSENT

This is a good time for me to share with readers my views about third-party grading services and also to answer many of the common questions I'm asked about the entire process.

Professional authentication services have been an integral part of our hobby/industry for many years. I don't think anyone could come up with a valid argument to abolish this type of service. With coin authentication, a coin is either a genuine example or it's not - right? Not exactly, sometimes a particular coin defies authentication with experts lined up on both sides of the fake/genuine question. At other times, it may take several months of hard research to prove that a coin which has been accepted by the numismatic community a genuine is actually the next "State-of-the-Art" counterfeit. At an authentication service, our mistakes are magnified while 100% accuracy is expected. There is a learning curve authenticators must go through. The amount of time needed for a trainee to reach a degree of proficiency is lessened with quality instruction but the counterfeiters and coin alteration specialists are also learning. With the quality of fakes improving, it is very important to know when to say, "I don't know". Coin authentication is a more complex field than most will ever know. Not a week goes by that I don't see one or SIX characteristics on coins which I have never seen before!

Which authentication service should you use? This was an easy question to answer at one time. Now that the Colorado based ANACS authenticators have been split-up it becomes more complicated. I would choose ANACS, or ANAAB because of their diagnostic records which were assembled over many years; however, top authenticators at PCGS, and PCI (ahem) are also first rate. The fees and turn-around time between services varies tremendously - from \$8 to over a hundred and from one day to several months. The choice may come down to how much time or money you have. With regard to authentication, you are fairly safe with any of the major services. Mistakes do occur but each service guarantees their authentication opinions. It's best to deal with errors quietly rather than make a big show - you wouldn't trade a star football player, responsible for a winning season, just because he fumbled in the Super Bowl.

Grading is a different story. Professional grading services came into being because coin dealers were not content to let truly independent individuals grade their coins without regard to the realities of the commercial coin market. Dealers wanted to value their own coins! A nicely toned, rare date, Choice AU "slider" would be bought, sold, or auctioned as a Choice Unc 65 no matter what its actual grade. I never liked third-party coin grading even though it provided a degree of protection for the collector. I believed that anyone who purchased coins should be able to grade, otherwise, they deserved what they got. My views have mellowed somewhat, but I would like to see the air of infallibility attached to the grade on a slab lessened. I've seen too many instances where top professionals, independently grading a coin, cannot agree on its grade. That's why grading services employ finalizers whose

job is to reconcile the grading opinions. A good finalizer will keep the final product closer to a precise standard.

Why should I have coins graded by a Grading Service? I believe each collector should fine-tune their grading skills by viewing coins which are encapsulated or you may wish to confirm the grading skills of a new dealer you use. It's cheap education. Don't blame the messenger (Grading service) for a lower than expected grade. In most cases you may be buying altered or overly graded coins which you and several local "experts" cannot spot.

Which of my coins are worth having encapsulated? This becomes a matter of personal taste and finances. Using a moderately priced grading service will allow you to slab coins of lower value. Each day brings surprises. Collectors slab everything. PCI receives coins with major problems such as holes or corrosion. Some collectors even send top grade Uncirculated 1994 cents!

How do I know my coin will not be switched or damaged? This is the most often asked question. I can understand a collector's concern. Until I worked at grading services, I didn't want anyone touching my coins given the way some numismatists and dealers handle them. Grading services depend heavily on repeat business. They take many different precautions to eliminate the possibility of damaging or switching a customer's coin. For those who insist on complete peace of mind, you may wish to take a photograph of your coin or at least make note of any defects it may have. Remember, coins worth tens of thousands of dollars are being checked along with yours.

What standards do the Grading Services use? A truthful answer to this question is NONE THAT YOU WILL EVER BE PRIVY TO! Grading services have reference sets for the different coin types and may insist that graders review these sets. As far as standards are concerned, it seems none of the grading services follows the coin grading guides exactly, especially in the MS ranges where most grading is more conservative than the guidebooks. Strike, toning, and eye appeal are hard to illustrate by pictures. Additionally, each Grading Service has particular coin series which are graded more liberally than at other services. Regular customers of the various grading services learn which service to use for each particular type of coin. Over time, different market conditions, personnel changes, and increased awareness of surface alterations causes fluctuations of their original standards.

Which Grading Service is best? This becomes more of a personal choice. You will hear and read all kinds of hype and stories from dealers, collectors, and advertising. Remember to be skeptical. Some dealers have a monetary interest with a particular service so they may be biased. One thing is certain, based on the numbers of coins which have been encapsulated by all the Grading Services you can expect to find overgraded, undergraded, and correctly graded coins in every company's product.

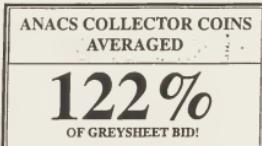
MARKET NOTES

Some readers of Insight feel that I like to stir up trouble with some of my columns. Actually, my comments as printed are often toned down quite a bit from my first draft. Still, I do enjoy calling things as I see them in search of accuracy.

I've seen many advertisements similar to this one which has appeared in Coin World. I thought that I had read it. "Not so!" said a collector who suggested that I report on the statistical manipulation used by the advertiser in this ad:

WHY IS ANACS "THE COLLECTOR'S CHOICE?" HERE'S ONE MORE REASON WHY!

Figure 1
(Current percentages
may be different.)



SIX CONSECUTIVE TELETRADE AUCTIONS

ANACS ANALYZED SIX CONSECUTIVE TELETRADE AUCTIONS HELD IN NOVEMBER, 1991. ON AVERAGE, ANACS CACHE CERTIFIED COLLECTOR COINS REALIZED 122% OF "BID" DURING THESE SIX SALES.

FIFTY POINTS HIGHER THAN C.D.N.

INTERESTINGLY THIS 122% FIGURE IS A FULL 50 POINTS HIGHER THAN THE REPORTED AVERAGE FOR ANACS COINS, AS LISTED IN THE COIN DEALER NEWSLETTER (THE "GREYSHEET")

THE CRITERIA USED FOR DETERMINING A "COLLECTOR COIN" WERE AS FOLLOWS:

- 1) COINS MUST GRADE AU-58 OR BELOW. THE ONLY MINT STATE COINS USED IN THIS STUDY WERE U.S. COMMEMORATIVES WHICH GRADED MS-64 OR BELOW.
- 2) BID PRICE LIMIT FOR ANY COIN WAS \$5,000.
- 3) BID PRICE FOR A GIVEN COIN MUST BE LISTED ON THE COIN DEALER NEWSLETTER (THE "GREYSHEET"), THE CDN MONTHLY SUMMARY, OR ONE OF THE CDN QUARTERLIES.

CDN "BIDS" WERE USED TO COMPARE THE ANACS PRICES REALIZED IN THESE SIX TELETRADE SALES.

FAIR MARKET VALUE

THIS DATA CLEARLY DEMONSTRATES THAT ANACS CERTIFIED COINS BRING FAIR MARKET VALUE IN AN OPEN, UNMANIPULATED MARKET ENVIRONMENT.

122%—
JUST ONE MORE REASON WHY ANACS IS "THE COLLECTOR'S CHOICE!"



AT ANACS, WE ARE PROUD OF THE QUALITY AND INTEGRITY THAT WE OFFER AT AN APPROVABLE PRICE.
JOIN THE GROWING NUMBER OF SATISFIED ANACS CUSTOMERS. SEND YOUR NEXT LOT OF COINS TO ANACS - "THE COLLECTOR'S CHOICE."
*PAST PERFORMANCE IS NO GUARANTEE OF FUTURE RESULTS

The ad uses the prices ANACS [no connection to ANA] graded coins sell for in Teletrade Auctions to refute the percentage of value assigned to ANACS slabs in the Greysheet or Bluesheet (Fig.1 taken from 10/94 - approx. 74% of bid). I must assume that the percentages from the Teletrade Auction are for actual sales while percentages listed in the price guides are average selling prices of ANACS slabs compiled by the staff from teletype information.

This is a deceptive ad which makes the pricing guides seem to be far off in their assessment of the value of ANACS coins. Can you find the "flaw" in the ad which allows the advertiser to claim

Coin Dealer Newsletter Certified Coin Market Indicator™

SERVICE	LOW	HIGH	AVERAGE
PCGS	75.77%	100.00%	94.23%
NGC	74.79%	99.23%	89.28%
ANACS	54.84%	96.13%	73.87%
PCI	73.19%	92.17%	84.33%
NCI	18.24%	73.09%	41.62%
INS	17.19%	71.42%	42.98%

Con't certified by other services at a price at a discount, understand each service's standards before using the Greysheet grades as a pricing guide.

A weekly comparison of certified coin Bid levels relative to CDN sight-seen Bid levels (at 100%) sampled from 10 U.S. coin series (2 grades each, avg. is for the 20 coins). All %'s relative to CDN as 100%. Data from latest issue of CDN, Monthly Supplement, & Certified Coin Dealer Newsletter (sight-unseen Bids). Refer to CDN for specific certified Bid levels. ANACS Bids & green label PCI Bids are for slabbed coins only. NCI Bids are for brilliant uncirculated coins only. Use the Indicator to survey the entire market, just for a quick estimate, apply these ratios to CDN Bid to obtain a trading range for comparisons. For more details on the Indicator and a complete listing of coins, refer to the July 1989 Monthly Supplement.

that their coins actually trade at 122% of Greysheet bid? It is the two words, "Collector Coins", which are defined (as used in the ad) further down the page:

THE CRITERIA USED FOR DETERMINING A "COLLECTOR COIN" WERE AS FOLLOWS:

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- 2) BID PRICE LIMIT FOR ANY COIN WAS \$5,000.
- 3) BID PRICE FOR A GIVEN COIN MUST BE LISTED ON THE COIN DEALER NEWSLETTER (THE "GREYSHEET"), THE CDN MONTHLY SUMMARY, OR ONE OF THE CDN QUARTERLIES.

I'll analyze this usage. 1.) "Collector Coins" are described as coins which grade AU-58 or below! That eliminates all Teletrade bids for Mint State silver dollars which ANACS tends to grade liberally. 2.) Mint State gold and Type coins are also excluded. That eliminates Uncirculated 1950-D nickels, 1938-D Buffalo nickels, 1955-S Roosevelt dimes, 1909 V.D.B. cents, etc. Virtually all of the more affordable "Collector Coins". 3.) MS-64 and below Commemorative coins (approx. 155 different date and mint coins) are included as "Collector Coins". Have you priced an MS-64 Pan Pac Fifty dollar coin? That's not a representative example but many MS-64 Commemoratives are over \$1000 which is a great deal of money to the majority of coin collectors I meet at shows across the country. Could it be that this particular group of Mint State Commemoratives is included in the definition of "Collector Coins" because its the only group of Uncirculated coins which best raises the average percentage?

It would be interesting to know the percentage that ALL ANACS coins sell for in the Teletrade auctions in order to have a more realistic percentage. It is a good bet that this number would be closer to the percentage given for ANACS coins in the Greysheet.

Readers of Insight are reminded that each of the third-party grading services overgrades and undergrades coins (illustrated by the "high" and "low" figures used to arrive at the Greysheet percentages on the previous page). For this reason, the pricing guides are just that: GUIDES. Remember, just because something is in print - does not make it true. See the BOO below.

Thanks to M.P. for bringing this ad to my attention.

BOOS AND GEMS

BOO: If you tell the same "story" long enough, every one (perhaps even the story teller himself) will eventually come to believe that it's true! Yes, "Time Flies".... and so do the "stories".

"The founding of the first independent, third-party grading service (1972), the ANA Certification Service (ANACS), is ..." Ed Rochette, 4/94 Numismatist, p.544.

Contrary to the quote above and other similar statements which have appeared over the years in the numismatic press by any number of authors who have swallowed this distortion of numismatic history; ANACS WAS NOT the first independent, third-party grading service. Shame, shame Ed, you of all people should know better!

INSAB was the first third-party grading service, pre-dating ANACS's entry into coin grading by several months. I was fortunate to work at both organizations. For several years after its founding (1972), ANACS was exclusively an authentication service. We kept informal records of each coin's grade on file for identification purposes. When ANACS was moved from Washington, DC to Colorado, the International Numismatic Society was founded and started an authentication service. Upon hearing that the ANA was looking into the feasibility of grading coins for the public, the INS Authentication Bureau immediately began to issue written opinions of grades for each coin sent for authentication. There was no extra charge for this service. ANACS did not begin grading coins for the public until 1974, after their grading guidebook was published (See Insight #1). ANACS can lay claim to being the first third-party grading service to CHARGE A FEE for grading coins.

BACK TO BASICS

Based on my experience, one of the most difficult aspects of coin grading for most individuals to master is the determination between loss of design detail on a coin due to friction wear versus worn dies or strike weakness. Unfortunately, this is one aspect of "the art of grading" which is not easily illustrated without actual "hands-on" study.

Strike: As used in grading, the strike of a coin describes the boldness and quality of design detail brought out from the dies during minting. Simply, it's the amount of design detail raised-up on a planchet when it is squeezed between the dies to make a coin.

Baring wear due to circulation, there are several factors acting together or alone which can influence the amount of design detail present on a coin. New, refurbished, or lightly used dies (having more of their original design detail) will generally produce better struck coins than those made using worn-out dies. This assumes correct adjustment of the dies in the coining press along with the suitability (defect-free and within tolerances) of the planchets. For simplicity in this discussion, I'll include weakness on an Uncirculated coin due to worn dies or minting deficiencies together because they often look similar; but the reader must understand each is a separate, contributing cause of design weakness and loss.

It is not difficult to determine when parts of an Uncirculated coin's design are not "struck-up". Its surfaces will be original, with complete luster over the area of weakness. Often, this original "weak strike luster" will look different - dull and chalky to slightly tinted (very pale grey-green or grey-yellow are common colors). In many cases, the rough original planchet surface may still be seen in the area of weakness which did not come into contact with the die. Coins which are weakly struck are not as valuable to most numismatists as strongly struck examples of the same date and Mint.

Once a weakly struck coin becomes worn from circulation or is cleaned, few numismatists, including longtime dealer experts seem to be able to grade it with any accuracy or agreement. I feel this is because they are trying to establish a value for the coin rather than a grade. Those graders who are aware of the grading problems associated with weakly struck coins MUST ignore them in order to function as a professional in the commercial coin market! For example, one dealer expert with the highest credentials advertises to buy Buffalo nickels graded Very Fine - BUT ONLY those with a FULL HORN. I'll call these FHVF (full horn, Very Fine). It can be demonstrated that for some dates of this type coin, FHVF are rare because even the BU's do not have a full horn. Therefore, when a weakly struck (partial or no horn) BU Buffalo nickel receives only some circulation, cleaning, or both, it assumes the appearance and VALUE (grade) of a Fine or lower graded coin!

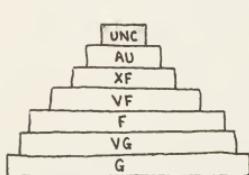


Fig.1 (Full)

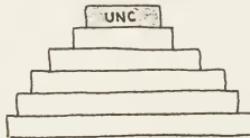


Fig.2 (Weak)

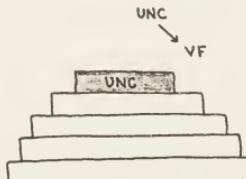


Fig.3 (Flat)

I'll illustrate the differences between a strongly struck, weakly struck, and flatly struck coin with the drawings above. Figure 1 represents a fully struck Uncirculated coin. A flatly struck coin, which is missing all the detail on the high parts of its design, is shown in figure 3. As long as these coins have full luster, they will be graded as Uncirculated although their MS grade and value will be different. Next, I'll give the coins an equal amount of circulation. The amount of surface material lost is represented by the black area in the illustration. Although each coin received the same amount of friction wear, the stronger struck coin retains the design detail of an AU while our flatly struck coin has the look of a much lower grade (perhaps VF) - EVEN THOUGH IT IS TECHNICALLY THE SAME GRADE - AU. Now try to appraise (grade) these three AU's!

I believe that a majority of the problems associated with coin grading today were caused when commercial interests turned coin grading into a "shorthand" for value. A coin's strike is just one of the many pitfalls to this system.

MICROSCOPICALLY SPEAKING

In my Editorial, I wrote about a 1927-S Standing Liberty quarter with an added "S" Mintmark that was certified as genuine and slabbed by one of the grading services. These errors have

happened before and will occur again - it's part of the learning process. Remember also that we are dealing with exceptional fakes, and this learning process is occurring on a higher plane of expertise than that of the majority of coin dealers or collectors.

I did not get a chance to examine the 1927-S alteration detected by ANAAB but I believe I can illustrate an example of an equally deceptive alteration which I believe was produced by the same "shop".

What makes these coins so deceptive, is the lack of an undercut where the added "S" meets the field of the genuine coin. The individuals who altered these coins have become very skilled at covering the traces of their work! Look at the photomicrographs of a genuine 1923-S quarter taken at 30X (Fig.1) and a 1923-S quarter (20X) which has an added "S" Mintmark (Fig.2). Note the brightness around the genuine mintmark. This occurs as light is reflected from the undisturbed metal flow on the surface. Perhaps, the dullness around the added "S" was one of the microscopic clues which caused the altered coin to look suspicious enough to rate a second glance. In any case, one moment of inattention by a coin authenticator and a deceptive fake such as this might get slabbed as genuine! Also note a slight difference in the shape of the two "S" mintmarks. This shows the importance of using a genuine coin as a reference.



Fig.1 Genuine 23-S



Fig.2 Added Mintmark

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